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SEPTEMBER 18, 1951  
68th and BROADCAST

# Town Meeting



BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

Broadcast by 275 Stations of the ABC Network



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## Will Industrial Japan Dominate Asia's Markets?

Moderator, GEORGE V. DENNY, JR.

### Speakers

SHERWOOD M. FINE

GEORGE W. MALONE



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on

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Published by THE TOWN HALL, Inc., New York 18, N. Y.

VOLUME 17, NUMBER 21  \$5.00 A YEAR, 15c A COPY



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VOL. 17

No. 21



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The Broadcast of September 18, 1951, from 9:00 to 9:45 p.m., EDT, over the American Broadcasting Company Network, originated in Central High Auditorium, Oak Grove, Flint, Michigan, under the auspices of the Flint Public Library Centennial.

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The account of the meeting reported in this Bulletin was transcribed from recordings made of the actual broadcast and represents the exact content of the meeting as nearly as such mechanism permits. The publishers and printer are not responsible for the statements of the speakers or the points of views presented.

### THE SPEAKERS' COLUMN

**SENATOR GEORGE W. MALONE**—Republican of Nevada; member of the Senate Interior and Insular Affairs Committee and Public Works Committee. A former State Engineer of Nevada, 1927-35, Senator Malone has been special consultant on strategic and critical minerals and materials to the Senate Military Affairs Subcommittee and to the Chandler Committee on Examination of Military Establishments. He has also served as expert consultant to the Secretary of War and advisor to the Secretary of the Interior in the construction of the Hoover Dam. His report on the natural resources of the area and the use of power was published in 1935. Elected to the Senate in November, 1946, Senator Malone is former chairman of the U. S. Senate National Resources Economic Committee, and is chairman of the Flood Control, Navigation, Dams and Electric Power Subcommittee of the Senate Public Works Committee.

**SHERWOOD M. FINE**—Director for Economics and Finance, Economic and Scientific Section, GHQ, SCAP, Tokyo. Dr. Fine, who received his Ph.D. from Columbia University, has served in Japan since the start of the Occupation in 1945. During the last six years he has had the opportunity of studying at first hand the economies of virtually every Asiatic nation. Prior to going to Japan, during the latter half of the war, he served in Turkey, working on our Lend-Lease and economic warfare programs. Earlier in the war he was with the Office of Strategic Services, where he worked on German economic and military questions. Dr. Fine has written a book on United States fiscal policy and many articles on international trade and regional economic problems. He recently returned to this country for a series of conferences in Washington and is scheduled shortly to return to Tokyo.

Town Meeting is published weekly at 32 S. Fourth St., Columbus 15, Ohio, by The Town Hall, Inc., New York 18, New York. Send subscriptions and single copy orders to Town Hall, New York 18, N.Y.

Subscription price, \$5.00 a year, (Canada, \$6.00); six months, \$3.00, (Canada, \$3.50); eight weeks, \$1.00, (Canada, \$1.20); 15c a single copy. Entered as second-class matter, May 9, 1942, at the Post Office at Columbus, Ohio, under the Act of March 3, 1879.

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# Will Industrial Japan Dominate Asia's Markets?

## Announcer:

Tonight we welcome you to the famous vehicle city of Flint, Michigan, where Town Meeting is proud to inaugurate the centennial observance of the Flint Public Library. In 1851, four years before the city was incorporated, a group of far-sighted women organized the Ladies' Library Association of Flint, the first of its kind in Michigan. Recovering from a disastrous fire, the community constructed its present main library in 1904 when Flint had a population of 15,000.

William Webb, the librarian and his associates, have assembled a representative and capacity audience here in the Central High School Auditorium, and we are happy to welcome in attendance Mrs. L. D. Fyan of Lansing, newly elected president of the American Library Association. In this great industrial city, it is most appropriate that we discuss the question, "Will Industrial Japan Dominate Asia's Markets?"

And now to preside over our discussion, here is the founder and moderator of America's Town Meeting of the Air, George V. Denny, Jr.

## Moderator Denny:

Good evening, neighbors. We're happy to join with the people of Flint, Michigan, tonight in the celebration of the 100th Anniversary of Flint's Public Library. Like the far-sighted founders of this institution in 1851, we're trying to look to the future in our discussion this evening, so that we may act wisely now in the face of a new situation that concerns each one of us. We have reminded you that, whether we like it or

not, we are citizens of the world and members of the human race and must begin to think in those terms if we are to have world peace.

We are concerned about tonight's question because Asia's economic progress is the Number One problem of the Asian people today. Industrial production is the key to the economic progress, and Japan has clearly demonstrated its dominant position in Asia in its capacity to produce goods. Indeed, it has been suggested that Japan may be able to accomplish without the crushing burden of armaments through industrial power what she could not accomplish with her war machine.

Will this be good or bad for the peace of the world? Will it be good or bad for you and me as individual citizens of today's world?

To help us understand this situation we have invited one of the best-informed American economists on this subject, Dr. Sherwood Fine, and a distinguished United States Senator, George W. Malone, Republican of Nevada, to give us a look at both sides.

Dr. Fine, who has served in Japan under Generals MacArthur and Ridgway, is Director of Economics and Planning and has been since the beginning of our occupation in 1945. During the past six years, Dr. Fine has studied firsthand the economics of virtually every Asiatic nation. He'll be remembered by many of you as a participant in our Town Meeting origination in Tokyo two years ago. Dr. Fine is in this country for a series of conferences in Washington and is scheduled to return to Tokyo very shortly. He



speaks strictly for himself and his views are not necessarily those of General MacArthur or General Ridgway.

We are happy to welcome to Town Meeting once again Dr. Sherwood Fine.

**Dr. Fine:**

Mr. Denny, the Occupation's chief economic job has been that of restoring Japan to a self-supporting basis. Attaining this objective appeared well-nigh impossible to us when we surveyed the outlook six years ago. This was due to the dismemberment of the Japanese empire, the chaotic Asiatic economy, and the destruction wrought upon her industry, cities, and merchant marine.

However, Japan's total exports currently promise to approach her required imports due to her commendable industry, wise American policy guidance, two billion dollars of United States Economic aid, and the additional income resulting from the Korean War. Japanese industry, moreover, has risen some 40 per cent above 1932-36 levels. While recovery is far from complete, and living standards are still below prewar, Japan's rehabilitation has been heartening, everything considered.

The United States has underwritten Japanese industrial recovery for the same reasons we have promoted the consummation of a non-punitive Peace Treaty at San Francisco. Our support has been based upon the belief that a democratic, economically solvent, autonomous Japan constitutes a principal mainstay of the free world in the sorely troubled Orient.

While the occupation has been an expensive undertaking to the United States, control of Japanese industry by the Soviet bloc would represent an incalculable gain to that camp. To an overwhelming

degree, however, Japan is friendly to the United States and can be counted upon to continue so.

Would Japan dominate Asia's markets? I understand the word *dominate* to mean exercise control over, govern, or rule. While I believe that the Japanese will energetically promote maximum exports of the textiles, machinery, electrical supplies, chemicals, transportation equipment, and other products, this is very different from securing exclusive control. This latter suggests political and economic, if not military, threats and pressures, unfair or unscrupulous trading. If this is what is meant, I unequivocally answer, *no*.

Japan's 84 million population, still rapidly growing, is squeezed into an area smaller than California, only one-sixth of which is fit for cultivation. Her struggle for existence is pressing indeed. Japan must export sufficient manufactured goods to pay for her indispensable food requirements and essential industrial raw materials. Without aggressive promotion of foreign trade, she cannot survive. The Japanese per capita income of below \$200 a year compares with the United States figure of some \$1600 a year.

Japan enjoys certain important advantages in trading with Asia; namely, geographic proximity and an abundant supply of skilled labor. Moreover, Japan offers an outlet for her neighbors' exportable surpluses of food and industrial raw materials in exchange for manufactured products.

Offsetting these advantages is the fact that Japanese industry is relatively backward. Her prices for many export items, such as iron and steel products, machinery, and textiles are currently higher than world prices while the quality of some of her products is lower than the United States or

Western merchandise. Japan, moreover, is seriously handicapped by a shortage of shipping.

While Japan's trade relations with her neighbors have been close, they have by no means resulted in the monopoly. United States, England, and other Western nations have a very substantial trade with the Orient. For many export items, ranging from raw cotton to trucks, petroleum products to motion pictures, wheat to industrial machinery, the United States enjoys a very prominent position. The dollars to pay for these items are secured from sales of such raw materials as tin, rubber, manganese, hemp, abaca, soybeans, and copra. Asia buys more from the United States than we buy from her. Hence Asia tends to be short of dollars. It is unreasonable, therefore, Senator Malone, to bemoan our inability to sell more to the Orient. Asia's markets have only begun to be explored.

Over-all, per capita income is below \$100 per year. This is due primarily to primitive agricultural techniques and production methods along with a very high birth rate. Asia's real problem lies in revolutionizing her backward technology. If this can be accomplished, Asia can absorb, within a few years, five or ten times the present volume of imports, financed through increased production and exports. Japan should be able to play a major role in the development of Asia's raw material and industrial potential. (*Applause*)

**Moderator Denny:**

Thank you, Dr. Sherwood Fine. United States Senator George Malone, Republican of Nevada, has been an outspoken critic of the Administration's policy in the Far East, and is the leading critic in the Senate of the recent Jap-

anese Peace Treaty. He has traveled widely in both Asia and Europe. Senator Malone is a civil and hydraulic engineer by training, and is a member of the Interior and Insular Affairs Committee and Public Works Committee of the Senate.

Now, Senator Malone, will you give us the other side of this important question?

**Senator Malone:**

Chairman Denny, as a matter of fact, Japan has not been restored to a self-supporting basis but has been supported and rehabilitated to a considerable extent through the three-quarter billion dollars furnished annually by the American taxpayers, plus the right to sell their sweat-shop labor-produced manufactured goods in this country in competition with our own industries and workers.

Now that the treaty is signed and they are again an independent sovereign nation, the American taxpayer's contribution must gradually be withdrawn and their open and free access to the American markets through matching their seven to fifteen cents per hour labor against our \$1.75 to \$2.00 per hour labor must be equalized and put upon a basis of fair and reasonable competition with this country, through tariff or import fee adjustment.

American capital and Japanese low wages will dominate the markets of Asia, but first Japan will have to make her peace with Red China, since by our own foreign policy in Asia we have not only assured Red control of China, but of Asia. Japan will recognize Communist China as the penalty for the privilege of buying needed raw materials and of selling manufactured goods in the great China market.

The Japanese destiny will be



largely determined by Red China and the Soviet bloc, with the recognition of both Red China and Soviet Russia for the sole purpose of gaining access to those markets, in the same manner that Red China was recognized by England for trade and trade alone. It will be remembered that India wanted to make such recognition mandatory in the treaty.

To say that Japan will dominate Asia's markets by no means should be construed to mean control or rule those countries. But Japan, through our own taxpayers and henceforth by investments by our own businessmen and industrialists, will fill a natural need in Asia. Their chief rival will be Germany. These two countries with their extremely low wages and manufacturing and processing ability will most certainly dominate the markets of Asia. Both of those nations have people who will work and they will fight. That is something that Europe has to contend with.

Our trade future, if we have any, will be to protect it in Asia. It is in South America and in Asia; it is not in old Europe. To force trade between this nation and European countries, both areas being manufacturing and processing nations—to force trade by either giving money to buy the other's product—is like two barbers in the same block trying to make a living shaving each other.

Japan's cheap labor will be utilized by American investors to get the major amount out of the Chinese and Manchurian markets.

Now as far as this dollar shortage is concerned, there has never been a greater hoax sold to a trusting public. The reason the dollars are short in China with her money, the reason it's short in India and England, is because they set a price on their money that

no one will pay. Pounds would be short in this country if we said a dollar was worth a pound. When they say a pound is worth \$2.80, of course, they're short of dollars, unless the Congress of the United States makes up the difference. (*Applause*)

**Moderator Denny:**

Thank you, Senator Malone. Well, we have a wonderful capacity audience here in the Flint High School Auditorium ready to ask questions, but I think these two speakers have a few scores to settle before we let you in on the question period. Dr. Fine, them's fighting words that the Senator used just now.

**Dr. Fine:** Senator Malone takes the position that Japan represents a serious threat to the United States markets in Asia, and also in the United States itself, primarily because of cheap labor. He recommends that our tariffs be raised to protect American industry. On the other hand, he states that Japan's dependence on China trade will result in Red China controlling Japanese industry and presumably all of Japan. This, I would submit, is a strange contradiction.

Japan is strong enough to dominate Asia but yet is so weak as to succumb to disorganized, strife-torn, backward, agricultural China—economically and politically shaky indeed.

I should like to have some clarification from the Senator as to whether or not China is going to dominate the Orient or whether Japan is going to dominate the Orient. Once I can understand that, perhaps we can follow on a bit more clearly.

**Senator Malone:** I'd be very happy to do that, and another thing

would like to say is that I was prepared not to like the Doctor, but I do. I find that he has been working hard out in Japan.

Japan will get our markets, of course. It's obvious. They are now, for example—there is not very much time to go into it—sewing machines coming into the country. The same kind of a sewing machine that sells for \$22.00 wholesale from Japan is \$71.00 wholesale from our country, and the difference in wages makes the difference. We can carry it on down even to Christmas cards and every other thing, and you have to have an equalization or a leveling of the standard of living and we can make our choice.

Now China, of course, and Russia will dominate politically Japan, while Japan furnishes the things they need, and that's the manufactured and processed products, and they get their raw materials from Russia and from China. I see no conflict. One is political and the other is industrial.

**Mr. Denny:** Let's see if we can get this political and economic situation together. Dr. Fine?

**Dr. Fine:** Presumably if we are interested in keeping Japan on our side, we have to be prepared to meet Japan half way. At the present time, we have in my judgment exceedingly high protective tariffs to keep Japan's products from coming into this country in any sizable volume. They range on cotton textile products from 25 to 35 to 50 per cent. On sewing machines, they are 30 per cent. On textile machinery, they are 40 per cent. On silk yarn, they are 50 per cent. I submit that if we are interested in keeping Japan on our side and in preventing Japan from being gobbled up by the Com-

munist bloc, we cannot possibly try to exclude Japanese merchandise from coming into our country.

Japanese merchandise in a sense is produced not by cheap labor, but by expensive labor. Japanese workmen are, surely enough, paid exceedingly low wages—much lower than ours—but on the other hand there is a very good reason for that. Their productivity is so much lower than our workers. I submit that Japanese labor outside of a number of relatively minor items represents no serious threat whatsoever to American industry here at home or American industry in Asia.

**Senator Malone:** Well, I must have just a minute to mention this. Naturally a lot of their machinery is obsolete, but what do you think Remington—Jim Rand, my friend—is taking in there to make typewriters? He's going in and taking American machinery just the same as he would anywhere else and shutting down his factories in New York. And he's going to low-wage countries, and I say within the next year or two or three years—we're talking about the future, not tonight—and if we say that a ten-cent-an-hour man can't dump a \$1.90 man making sewing machines or Christmas cards with the same American machinery, and that is what is going over there, American industry is headed in that direction. Why, of course, it's a silly statement to make that a Japanese isn't as efficient as an American. They're every bit as efficient and work longer hours. They can copy anything.

**Dr. Fine:** The big difference between Japanese workers and American workers is the fact that American workers have a modern, productive and most efficient in-



dustrial producing machine in the world. That is why the American workers with their skill have such a tremendous advantage over Japanese workers. The Japanese worker and Japanese producer looks at the United States and says, "Look at the unfair advantages they have over our poor working, poor industrial establishment. We don't have the capital resources, the capital equipment you do." We think there ought to be a moratorium of American competition with us.

**Mr. Denny:** Dr. Fine, I'm sorry, but I'm going to have to ask you to deal with that question he raised. What about American capitalists going to Japan and setting up business there with American machines and American know-how?

**Dr. Fine:** I think, Mr. Denny, that is an excellent idea, and I'm rather sorry that not more of that has materialized to date. Japan does have a number of advantages to American industrialists who are interested in developing the relatively specialized Asiatic market. In some respects the reason why the United States is not able to sell more in the Orient is that the quality of our merchandise is much too high, much too expensive for the low-income levels of the Oriental market. American industrialists with their superior organization can come to Japan and cultivate their low-income market. I think it an excellent thing. It gives the low-income elements in Asia the low-income merchandise that they can afford.

**Mr. Denny:** Just a question of fact, Dr. Fine. What happens if an American concern—these people here, a lot of them here, are automobile producers—if an American

concern goes to Japan to produce automobiles and they don't have quite enough market in Japan, what happens if they want to sell them throughout Asia or sell them back in this country?

**Dr. Fine:** From my knowledge of the automobile industry, I couldn't conceive of American manufacturers undertaking to manufacture automobiles in Japan and re-exporting them to the United States. It's technologically an impossible proposition.

**Mr. Denny:** Well, I mean, let's take some other example, any other industry that is possible and feasible. Do they have to pay duties on anything produced with Japanese labor if it's an American concern?

**Dr. Fine:** An American firm operating in Japan has to operate under Japanese law. It pays Japanese taxes. It is subject to American import duties when they produce for export to the United States.

**Mr. Denny:** All right, thank you. Senator Malone, I just want to clarify your comment a little bit there.

**Senator Malone:** I would just simply say that it comes back to my argument that we do charge import fees. Now, there is no such a thing—let's get away from this idea that there are high tariffs, there are low tariffs. We have never had a high tariff or a low tariff deliberately. What we were driving at always with our awkward machinery was trying to get a fair and reasonable competitive basis, that's all, between American workers and investors and foreign workers and investors. And a high tariff — they've screamed that now for twenty years and got away with it until recently.



**Mr. Denny:** All right, I don't want to cut off this discussion.

**Dr. Fine:** Japanese workers, as I certainly conceded, make less, substantially less than American workers. Japan is a very poor country and will undoubtedly continue to be a poor country for quite some time. Are we therefore going to take the position that the United States will refuse to accept imports from any country enjoying a lower standard of living than the United States? Are we going to say that we will impose an embargo on all imports until the rest of the world achieves a standard of living significantly comparable to ours to protect American labor? I would say the best defense in the world that American labor has is their superior efficiency and the superior ability of American capital to organize our industrial establishment. (Applause)

**Senator Malone:** Let's get away from this embargo outfit. No, I never mentioned an embargo, and we have never had one except on our free trade basis, so-called reciprocal trade. We've had to resort to quotas. And that is the argument on the Senate floor, to put in quotas to keep the amount of goods coming in that will ruin the American worker and investor on account of the free trade policy the Administration has had for twenty years. Nobody said anything about an embargo. A fair and reasonable competitive basis can adjust your flexible import fee and tariff on that basis and protect these men that are getting \$10 or \$15 a day in their own market. We know they're going to take the Asiatic market and we haven't got a Chinaman's chance, if you put it that way. Let's take this dispatch of September 1st. It comes from Hong Kong and it says

that in Southeast China the English language *China Mail* told its readers here today that the effect of Japanese industrial expansion would be disastrous for British industry unless Japan resumed her trade with the China mainland, and if the vast markets of China and Manchuria were open to Japan, as they would be if peace were restored to Korea and a treaty entered into between Japan and communist China, these would undoubtedly cushion the impact of the growing Japanese exports. They have to recognize Communist China to trade with them, and the British and India will encourage that. As a matter of fact, as I said first, India wanted to make it a condition. Let's get away from this thing of embargoing anything. Let's make it so that a man getting \$15 a day here making a sewing machine can be on an equal basis with the fellow getting 7c an hour making the same machine. That's all we want.

**Dr. Fine:** Presumably the purpose of our greatly increasing tariff rates would be to establish a parity. Now the existing parity is a parity based upon superior technology and superior capital facilities. If we were to permit the lifting of tariff rates to several hundred per cent to equalize prices, obviously Japanese merchandise and the merchandise of all the other countries attempting to sell in the United States would be placed in a position of in fact being excluded from the American markets.

Now how real is this problem? I submit that one of the major problems confronting the American economy is just the reverse. For several decades now, the United States has consistently exported vastly in excess of what it has

imported. Now that is a condition quite different from the condition implied by the Senator, the implication being that American workmen were on the verge of being threathend out of their jobs. The point of the mattter is that this country, despite its consistent attempt to try to reduce its tariffs, has enjoyed a progressively high standard of living. I think that the experience of the past suggests on the one hand a progressively very, very substantial surplus of exports over imports, as compared on the other hand with the progressively rising standard of living. I submit that the Senator's statement of the problem is not a real one.

**Senator Malone:** Mr. Denny, my doctor friend keeps raising new questions. Now he says that they do not have our technology. I say within a year to two years they will have it. I'm in the engineering business. I was in South Africa. I could have put in machinery in a manganese mine. If I hadn't been in the Senate and had been twenty

years younger I would have, too; but what kind would I have put in? The same kind I'd put in Nevada, if I was putting it in there. Not old out-moded machinery.

Now let us see what happens to our exports. We've brought that up again. We've exported, of course, more than we've imported, and you taxpayers have paid for it—seven to eight billion dollars in deficit financing, seven to eight billion dollars cash, going to Europe and the countries of the world through the Import-Export bank and through Congress at her idiocy of appropriating and giving them money without any safeguards whatever. So we pay for the additional exports, and when we quit paying for them, even the women and children know that they are finished.

**Mr. Denny:** All right, thank you, Senator Malone. We have many people on their feet with questions here in the audience.

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## QUESTIONS, PLEASE!

**Man:** Senator Malone, will Japan's labor and products still be cheap? If so, won't this help Japan to dominate the Asiatic market?

**Senator Malone:** Well, I think without any doubt; because as I previously said, within a year or two it will be so obvious. Many of our industries are headed toward Japan to take our machinery with them and set up their assembly lines and sell the stuff in Asia and in Russia—after they recognize Red China, which will be a penalty to enter that market—and of course they can under-

sell us, and as I've just read from a *New York Times* the Britishers are scared to death over there.

**Man:** Dr. Fine, how successful has MacArthur's efforts been to make Japan democratic, and as she becomes industrially strong, will she remain friendly?

**Dr. Fine:** I think that to an astonishing extent, Japan has undergone a major political and social revolution in the last six years. I think, however, it would be premature to insist that Japan has achieved a democracy comparable to ours. Japan is on the way. I would say from all the evidence

that I am able to observe there is very considerable confidence that Japan will in fact progressively approach a real democratic society.

*Man:* Senator Malone, do you believe tariffs should be used to protect uneconomical American industries that cannot compete with foreign industries?

*Senator Malone:* It never has been done in a deliberate way. In other words, they have always tried to figure that on anything that is uneconomical or cannot be produced in this country there is no tariff. Now I have introduced a bill twice—it's in the Senate now—on a basis of fair and reasonable competition, and the Tariff Commission, which could be turned into a Foreign Trade Authority under this bill, can consider that particular phase of the subject. In other words, we can discover whether or not it's an economic operation and can act accordingly.

*Man:* Dr. Fine, will the growing prosperity of Japan, if it dominates Asia's markets, raise the standard of living of its common people?

*Dr. Fine:* I think the answer is emphatically yes. The market in Asia, if it's going to be any market at all, of necessity will have to be a mass market. The markets in Asia up to now have not been explored at all. The average per capita standard of living throughout Asiatic countries is less than \$100 a year. You can't have very much purchasing power on that basis.

*Man:* Senator Malone, where will Japan obtain the raw materials to dominate Asia's market?

*Senator Malone:* There is no place, of course, to obtain the raw materials except in Manchuria and in China and in parts of Rus-

sia. Therefore, as I have said in the beginning, there is no question but what she must recognize Red China in order to do that. Now it has been brought about by our own actions, by our own foreign policy in the Far East, and that has been, as you will note, in preparing the treaty we utterly ignored Nationalist China with Mr. Dulles, and then San Francisco did not allow the representatives of Nationalist China to attend, so we drove the last nail in the coffin of Nationalist China and turned it over to the Reds; and the next year and a half to two years they'll consolidate their gains, go on through Asia, and that is the loss not only of China but of Asia, and anyone that wants to trade there must recognize them.

*Dr. Fine:* I must take issue with the Senator concerning the fact that Japan is exclusively dependent upon the industrial raw materials in Manchuria, North China, and the rest of China. Actually trade between Japan and China has been non-existent for quite some time now. Japan unfortunately has had to import much more expensive and industrial raw materials, but the point of the matter is that while it is less advantageous to Japan to purchase elsewhere, it is not impossible by any means for Japan to purchase her industrial raw materials elsewhere.

Now throughout the entire evening we have been talking in terms of two extremes. We have assumed either, on the one hand, all-out trade without any restrictions whatsoever between Japan and Communist China, or else, on the other hand, absolutely no trade at all. Now I think that over a period of the next few years,—the Senator has a long



view—I think that over a period of the next few years we have to recognize that inevitably the Japanese are going to insist upon trade with Communist China and I think that they will be very sympathetic to our suggestions that if trade must take place, it should be limited to soft consumers goods and other items which in no way whatsoever relate to commodities which tend to strengthen the Communist China military and economic potential.

*Senator Malone:* Mr. Chairman, it's pretty hard to follow all of that argument, but I will say, of course, that Japan can get her raw materials elsewhere, but not economically; as the distinguished doctor has told you. They are now shipping iron ore from Nevada, but no one says they can do that—after we quit paying in the three quarters of a billion dollars there and picking up the check. You're picking it up.

Now, he says that they will only sell soft goods. England, who has recognized Communist China, has defied us. If you want a debate on that, write my office and I'll send it to you. They have defied us and we are still sending them millions and billions of dollars, and they are sending them locomotives, ball bearings, electrical machinery, and everything in God Almighty's world to fight World War III with us, and to consolidate their gains in Eastern Europe, and they have not that capacity to manufacture these goods and hold their satellites if we didn't send them to them. And we, then, in our youth and innocence, we send the 8 billion dollars a year to Europe and the goods and the machinery and Russia gets it on the first bounce. They just process them and send them over. Why do we think of

the Japanese as being more reticent or timid than the English? (*Applause*)

*Mr. Denny:* All right. It doesn't seem to be an exactly simple problem. I'm glad to see we have a lady with a question.

*Lady:* Senator Malone, but can Japanese run and repair the machines which Mr. Remington plans to ship to Japan? Can Japanese labor compete with our machines and machinists?

*Senator Malone:* Oh, yes. The Japanese can imitate anything. If you just buy one of these sewing machines—you can get it for \$22, and each is guaranteed to do the work of the other. The \$71 one is made by Singer. The difference is the difference in wages and the living standards, the practical difference. And of course the Japanese mechanics are as good as any in the world. Of course there are only a relatively few now.

How do you think they were making the airplanes? They would capture one of ours and make an exact duplicate—engine and everything. Well, they can do anything. They are a wonderful people. We have no quarrel with them except we must protect our own workers while we are building them up, and I say the way you will do that is that American investors will go there and use this cheap labor which will gradually rise over the years and the decades—not right away—and they will whip anybody, as the English have already said, in Southeast Asia, except that they won't allow them to trade in Southeast Asia. They have the Empire preferential rates there in the Malayan States and the French have it in Indo-China and they just won't let them trade there. They aren't as silly as we are. (*Applause*)

*Mr. Denny:* Thank you. Dr. Fine is on his feet now.

*Dr. Fine:* Even if I were to accept all of these statements just made by the Senator, I would still not be able to follow his subsequent conclusions. Here we are confronted by Japanese competition which we don't like. The way to eliminate that is to keep a substantial quantity of their would-be exports to the United States out. On the other hand, we are greatly concerned about the fact that China is so important to Japan. It would certainly seem to me that, following the Senator's analysis, here is a contradiction which perhaps can only be resolved by our swallowing some of our reluctance to create a market here for Japanese merchandise, even though it may prejudice the standards of living of some of our workers and some of our industries because the alternative is much more objectionable; namely, ensuring that Japan will be thrown into the Communist fold by refusing to sell her merchandise because she will not have the wherewithal to pay for it, since we refuse to accept her goods.

*Mr. Denny:* I'll let you answer that, Senator, but we are fast getting to the point where we are debating our competition with Japan instead of will Japan dominate Asia's markets, which was our special problem.

*Senator Malone:* It has more to do with it than you think.

*Mr. Denny:* I'm not letting you know what I think, Senator.

*Senator Malone:* All right, I want to say here, just taking another dispatch by Jim Lucas in the *New York World Telegram* on the 5th of September: "After the treaty with Japan, she will be accorded the most favored nation

treatment by the United States. This means she will be granted every trade advantage we give to any other nation." I say it will be temporary because it will throw so many people out of work, if we ever run out of one of these police-action emergencies, we will have to slack it up; but, however, England, fearing competition for Hong Kong's textile mills, has refused to promise Japan the same treatment. This has resulted in some bitterness, and it will result in more bitterness here, I might say, so that limits it to the Philippines, Burma, and a few other Southeast Asia countries. Japan is to compensate them by making available the skills and industry of the Japanese people, but I will say to you that, further, they say that unless the Americans continue to finance Japan, then Japan cannot make it, and the same dispatch outlines exactly what is the matter, and it's entirely correct reporting.

*Lady:* Dr. Fine, do you think that if we do not give Japan all the economic support possible we will eventually have to give her lend-lease?

*Dr. Fine:* Well, I shouldn't want to make any predictions on that score, but right now, Japan, as a result of the factors earlier described, for the first time is achieving a condition of self-support.

Now, concerning the future, it's very hard to say, and in large part it is the function of the continuation of the existing very high levels of international trade, which is, I grant you, largely attributable to the current military disturbances. With that determinate, I would find it very hard to say what the repercussions would be on the Japanese economy. Presumably they would be adverse. Now, the extent to which we would have to rush in

and come into the breach remains hard to say at this point. But I suspect we would.

*Senator Malone:* Mr. Denny, I merely want to say we are on lend-lease now. What do you think this is—the 8 billions that goes over without any conditions whatever? What do you think we were on when they loaned the  $3\frac{3}{4}$  billions to England, and Morrison is in town now saying that they can't pay that and they are even writing off the interest? What was UNRRA, but lend-lease? They merely change the tune but the Congress appropriates the money. You are on lend-lease, lady, without any trouble at all. And now they are taking over the fishing out in the Pacific Ocean and a lot of fishing boats in San Francisco are idle. That's the way this thing is working.

*Man:* My question is directed to Dr. Fine. What assurance do we have that a resurgent Japan will not revert to its own nationalism if she succeeds in dominating Asia?

*Dr. Fine:* We have no assurance. I think, however, that all of our

experience in post-war Japan, all of our knowledge, our intimate knowledge, of Japanese leaders, the more recent results in the elections just a short time ago in which only 5 per cent of the Japanese voted Communist — I think Japan has in fact undergone a genuine revulsion against aggressive war. I think the Japanese appreciate that, strictly speaking, they are only a third-rate industrial power. I think the Japanese have had purged from their brain the idea that Japan can dominate all of the Orient.

*Mr. Denny:* Thank you very much, Sherwood Fine, and Senator Malone, and our thanks to William Webb and his staff of the Flint Public Library and our host committee of the Library Centennial. We are especially grateful to Lester Linden and his staff at station WFDF, now in its thirtieth year, one of America's pioneer stations, which has carried America's Town Meeting ever since we started. So plan to be with us next week and every week at the sound of the Crier's Bell.

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## FOR FURTHER STUDY OF THIS WEEK'S TOPIC

*Now that you have read the opinions of the speakers on the subject, "Will Industrial Japan Dominate Asia's Markets?" you are probably ready to draw your own conclusions. In making up your mind, you may want to consider the following important background questions.*



Should we help Japan regain her former status as an industrial power before we are sure she is irrevocably committed to our political camp?

- a. If we don't help Japan regain her industrial strength, can we depend on her as an ally?
- b. Is there any danger that Japan will accomplish through economic means what she was unable to do through military means—control Asia?

On February 3, 1950, Premier Yoshida told the Japanese Diet that Japan was ready to send trade representatives to Communist China as soon as the Allied High Command would permit. Do you think that there is any basic change in this Japanese policy?

- a. Can Japan resume trade with Communist China and remain outside the Communist orbit?
- b. Can Japan obtain a decent and improving standard of living without any major dependence upon either markets or sources of raw materials now controlled by Communists?
- c. If the United States does not want Japan to be the industrial provider for Communist China, are we not obligated to help her develop other markets to take the place of those we find politically undesirable?
- d. Can Japan look to Southeast Asia (the Philippines, Malaya, Thailand, Burma, Indonesia) to replace the trade she formerly had with China and Manchuria?
- e. Will anti-Japanese sentiments among the people of Asia hamper the establishment of effective trade relations?

Since Japan's imports are primarily from the dollar area and her exports are primarily to the sterling area, will there be an increasing tendency to shift away from America to non-dollar sources of supply?

- a. Can the United States be counted upon to continue to make good Japan's unfavorable trade balance?
- b. Could Japan make up its dollar deficit by becoming a supplier of capital goods for Asia under the Point Four program?

How can other nations be protected against the dumping of cheap Japanese goods?

- a. Should the United States set up tariffs and import quotas to protect American industries?
- b. What effect would the imposition of tariffs have on our political interests?

How will reparations demands, such as free processing of raw materials, affect the Japanese economy?

# THE LISTENER TALKS BACK

## "CAN LEGISLATION CURE SEGREGATION IN HOUSING?"

Program of September 11, 1951

### Speakers

Walter White

Congressman Tom Steed

#### NO APOLOGIES

Congressman Tom Steed was not afraid to say in public what all true Americans must feel in their hearts. Too many false prophets have tried to place us in scorn with foreign nations that offer their citizens much less than America. It was a real thrill to hear someone defend America without apologies.—T. K. MAHONE, Charlottesville, Virginia.

#### THE YOUNG ARE OUR HOPE

I sat in breathless amazement at the glib way in which Congressman Steed stated that Negroes moving into unsegregated sections would decrease property values. . . . As if *property* values can be compared to *human* values! I marvel at the patience with which the colored people strive for their rights.

Some of us in the South are outgrowing our prejudices. Recently we had a Negro singer in our local church. Our pastor had him in for supper, and I understand that he was included in a watermelon party . . . after services. Our hope lies with our youngsters (but) some of them are intolerant.—MRS. A. A. LUCKENBACH, Odem, Texas.

#### CHICAGO EXPERIENCE

I am a resident of the South Side (of Chicago) and live in a neighborhood which was completely white only about two years ago. . . . A (white) person who does not move away is in danger of being robbed . . . twice on the

streetcar, twice on the street and once in my apartment I have been robbed or approached with intent to rob. On every one of these occasions it was by a colored man.

I do not intend to have race prejudice. I have gone on dates with a very nice colored boy who lives with a white friend of mine. I have other colored friends who have taken me to a church in their community where the people were fine appearing. Of course I would be delighted to associate with Marian Anderson or Ralph Bunche. Still, it seems to me that the fact remains that if a person lives in a Negro neighborhood, it is at great personal risk. I feel that Negroes will not have to worry about the attitude of white people toward them when their conduct indicates that they deserve respect.—ELIZABETH ROSSER, Chicago, Illinois.

#### LOWDOWN

The lowdown on the Negro problem is obvious to any honest-minded person. There have been class and racial distinctions since the beginning of recorded history. The white man is a victim of it as much as is the Negro. The millionaire refuses to hob-nob with the bum, the cultured with the ignoramus, and religious know-it-alls with free thinkers. The Almighty must have intended it to be that way. . . . Like is akin to like, and man cannot change the situation.—FRED L. HADLEY, Chicago, Illinois.